Farm Credit
Experts in Rural Finance

Colonial Farm Credit
7104 Mechanicsville Turnpike
P. O. Box 727
Mechanicsville, Virginia 23111-0727
Telephone: (804) 746-1252 (800) 777-8908 (Br.11)
Fax: (804) 746-9627
www.colonialfarmcredit.com

May 20, 2008

Gary K. Van Meter, Deputy Director
Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Dear Mr. Van Meter:

Colonial Farm Credit, ACA appreciates the opportunity to share comments on the proposed revisions to the Interagency Questions and Answers Regarding Flood Insurance ("Q&A") dated March 21, 2008.

Our first comment to the proposed Q&A relates to new Question 40, regarding syndicated or participated credits. We agree that each lender in such a credit facility has an independent obligation to ensure compliance with the regulations. However, our concern is that the language provided in the second paragraph of the answer to Question 40 will create a misunderstanding among examiners that each lender must make a separate determination, rather than simply reviewing the determination made by the lead lender/agent.

These structured credit arrangements are advantageous to both the borrower and lenders due to the efficiency (both cost and time) of eliminating duplication of certain functions. While each lender makes an independent credit determination to either originate the credit, in the case of a syndication, or to purchase a portion of the closed loan, in the case of a participation, the lead lender/agent performs many of the ministerial functions of closing the facility and is duly compensated for the same. We believe that the appropriate due diligence for a participating lender in such credit should be limited to a review of the processes and procedures of the lead lender/agent to ensure that a determination is being made when needed, along with the right to review any such determination prepared by the lead lender/agent or their third-party service provider.

As the primary lender to rural America, the Farm Credit System has consistently maintained a disciplined approach to agricultural lending. In many instances, farm operations have structures on the real estate that have very little, if any, value. In these circumstances, the farmer would typically assess the value of these structures versus the cost of insuring them for replacement under flood insurance policy. Where these structures have a valuation that is less than the amount of the highest available deductible, it typically is not economical for the borrower to obtain coverage for such structures. As such, if a larger deductible is available, the borrower should be free to choose the deductible that they independently deem to be most appropriate to their circumstances and loss tolerance, even if the result of choosing an available deductible that is higher than the replacement value of the subject structure would result in avoidance of the mandatory purchase of coverage. Read together, the proposed Answers to Questions 14 and 21 appear to create an arbitrary requirement for farmers in these situations to purchase coverage that is arguably unnecessary.

We appreciate the opportunity to express our opinion and if you need additional information, please let us know.

Sincerely,

Greg B. Farmer

Greg B. Farmer
President & CEO